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ABSTRACT

This individualized, competency-based unit on managing businesses, the 11th of 18 modules, is on the third level of the revised Program for Acquiring Competence in Entrepreneurship (PACE). Intended for the advanced secondary and postsecondary levels and for adults wanting training or retraining, this unit, together with the other materials at this level, emphasizes the actual application of a business plan. Three competencies are dealt with in this instructional unit, including (1) planning goals and objectives for a business, (2) diagraming the organizational structure for a business, and (3) establishing control practices and procedures for a business. Materials provided include objectives, preparation information, an overview, content (with questions in margins that guide the students' reading), activities, assessment forms, and notes and sources. The unit requires using approximately 3 hours of class time. (YLB)

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PACE
REVISED
Program for Acquiring Competence in Entrepreneurship

UNIT 11

☐ Level 1
☐ Level 2
☑ Level 3

Managing The Business

Developed by M. Catherine Ashmore and Sandra C. Pritz

You will be able to:

- **Plan goals and objectives for a business**
- **Diagram the organizational structure for a business**
- **Establish control practices and procedures for a business**

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Research & Development Series No. 240 CB 11

BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read the Unit Objectives on the front cover. If you think you can meet these objectives now, consult your instructor.

3. These objectives were met at Levels 1 and 2:

   Level 1 -

   - Explain the role of management in operating a business
   - List the steps involved in the decision-making process
   - Define and explain the functions of management
   - Identify rewards and problems of the management role

   Level 2 -

   - Use the decision-making process to make business decisions
   - Identify steps in the planning process
   - Identify organizational tools for a small business
   - Identify time management techniques

   If you feel unsure about any of these topics, ask your instructor for materials to review them.

4. Look for these business terms as you read this unit. If you need help with their meanings, turn to the Glossary in the *Resource Guide*.

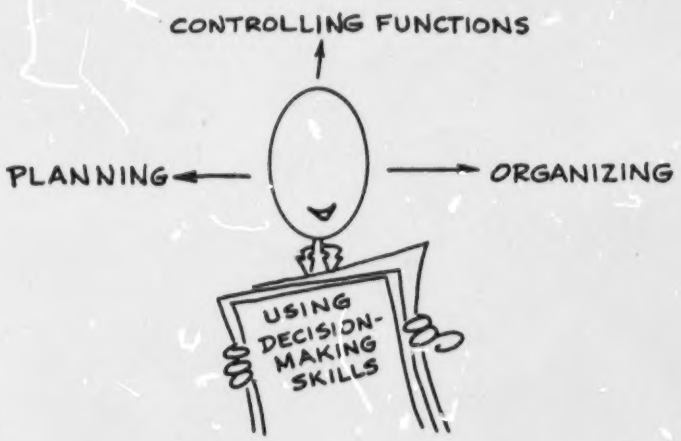
   direct supervisor stage
   line and staff organization
   line organization
   long-term plan
   short-term plan
   supervised-supervisors stage

MANAGING THE BUSINESS

WHAT IS THIS UNIT ABOUT?

Good management is the key to success for any business. Such success will depend on your ability to develop or improve your own management skills.

The purpose of this unit is to give you a detailed overview of the management process. You will learn about the responsibilities of the manager of a business. You will also learn how to apply decision-making skills to planning, organizing, and controlling functions.



You will develop long- and short-term goals for your business; organize facilities, workers, and materials; and develop control procedures to find out if your business has reached its goals and objectives.

WHAT KIND OF WORK DOES A MANAGER DO?

A manager's job is built around the processes of planning, organizing, directing, and controlling. At the heart of a manager's activities, however, is decision making: a basic skill that all entrepreneurs must possess. These functions are usually so interrelated that it is difficult to separate them. For example, while planning a project, you are also considering how to organize, direct, control, and evaluate it. However, each function will be examined individually in this unit. Mastering these processes is a vitally important part of becoming a successful manager.

Most experienced managers would not attempt to solve problems with limited amounts of information. Besides gathering as much information as possible, they would also follow a logical decision-making process to select the best solution. Use of this process ensures that a number of possible solutions are identified and that only the best ones are considered for final selection. A logical decision-making process is based on these steps:

- Identifying the problem
- Defining alternative solutions

- Gathering facts about the alternatives
- Evaluating alternatives to select the best one
- Formulating a plan of action

An entrepreneur should use this decision-making process while performing all management functions.

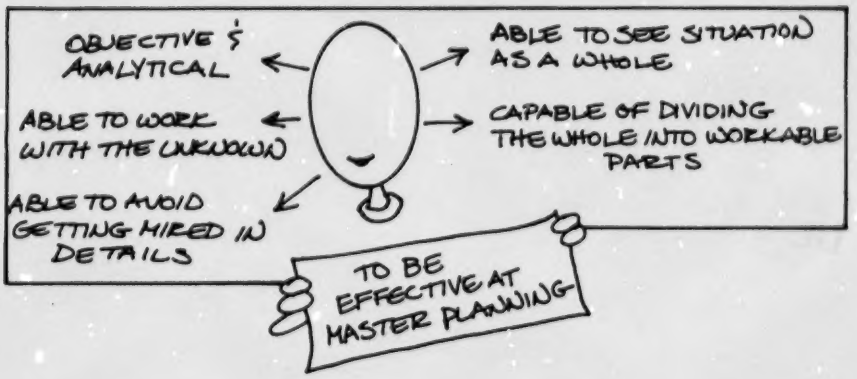
WHAT'S INVOLVED IN THE PLANNING FUNCTION?

Planning can take place at many different levels: the master plan or long-term plan; the short-term plan; special events planning; and crisis planning. The manager is responsible for planning at all levels.

WHAT IS THE MASTER PLAN?

The most important plan for any business is the master or long-term plan. This plan, which you and other responsible employees prepare, sets the firm's goals or objectives. To be effective at master planning, you should possess certain characteristics. You must be—

- able to see the situation as a whole,
- capable of dividing the whole into workable parts,
- objective and analytical,
- able to work with the unknown,
- able to avoid getting mired in details.


OBJECTIVE & ANALYTICAL
ABLE TO SEE SITUATION AS A WHOLE
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CAPABLE OF DIVIDING THE WHOLE INTO WORKABLE PARTS
ABLE TO AVOID GETTING MIRED IN DETAILS
TO BE EFFECTIVE AT MASTER PLANNING

Master planning is usually very comprehensive. Once the goals and objectives are established, plans must be formalized for them. Most master plans include goals or objectives in the following areas:

- Finance
- Personnel
- Customer and public relations
- Advertising

- Accounting
- Production
- Credit
- Purchasing and inventory control
- Sales
- Profit
- Legal issues
- Security

A formalized master plan has many advantages for a business. Most importantly, the plan helps the company grow in the direction you intend it to grow. The plan outlines the general action to be taken to reach your goals. Of course, as you develop these goals, you must take stock of your company's situation, its strengths and weaknesses, and the changes needed to get the firm where you want it to be. While doing this, you can also get a good idea of future needs such as new employees, new facilities, and new machinery. Master plans help put the pieces of the business puzzle together.

WHAT ARE SHORT-TERM PLANS?

After the master or long-term plan is prepared, short-term plans may be made. Short-term plans are the goals that must be accomplished in order to achieve the master plan. Short-term plans are based on the master plan. Usually these goals are accomplished in days, weeks, or months; the long-term plan may require several months or a year or more.

Short-term planning is essential to the success of the small business. Through short-term planning, managers can deal with problems that could not be anticipated when the master plan was set. They can try new alternatives and get immediate feedback to see how plans are working. Short-term planning forms the backbone for day-to-day operations.

WHAT ARE OTHER TYPES OF PLANNING?

Special event planning is quite similar to other methods of planning, except that it is apart from the everyday business routine. The key to special event planning is integrating it with other work that must be done. Do not let the special event become so important that it disturbs other necessary business activities.

Good planning techniques should eliminate daily or weekly crises. But even with good planning you'll have to do some *crisis planning* to handle a crisis situation. When a crisis decision has to be made, the following guidelines might help:

- Get into a relaxed state of mind
- Focus on the logical outcomes of different solutions

- Don't put off making the decision
- Act decisively once you reach a decision
- Don't be afraid of failure

Both crisis planning and special event planning supplement your business's long-term plans.

HOW IMPORTANT IS IT TO GATHER INFORMATION FOR PLANNING?

Often you will need special information before you can finalize a plan. Research can supply you with the needed data. Research information about the market or other areas can be gathered in a number of ways.

You can hire someone to collect the data or do it yourself. The main concern is that the data be accurate and reliable. Sometimes you can get needed data from community sources such as credit agencies and banks, county clerk's offices, U.S. Census reports, published market analyses, trade associations, and general economic base studies. If the desired information is not available, you may have to organize a research study. For example, if you wanted to know where the majority of prospective customers were located, data could be collected by analyzing all previous orders to determine your customers' addresses or by surveying each customer to determine their area of residence.

WHAT IS INVOLVED IN ORGANIZING?

Organizing is exactly what it says—organizing the business so it operates effectively and efficiently. It involves setting up a structure that will give order to the tasks a business must conduct to achieve its objectives.

The organizing function is required to define, group, and assign responsibility to others. This divides the work load among employees. Organizing the work of a small business is a necessity if personnel, equipment, and supplies are to be in the right place at the right time. To organize work well, you must group tasks to be done into individual jobs. You must also define how one job relates to another.

HOW MANY FORMS CAN AN ORGANIZATION TAKE?

The size of your business will probably dictate the type of organizational form you choose. Most small businesses begin at the *direct supervision stage*. At this stage, the owner/manager directly supervises all the work done by all employees. But, as a company grows, it will probably become impossible for an owner/manager to supervise all employees directly. The owner/manager will have to delegate the responsibility of supervision to other capable employees who become managers. Stage two is the *supervised supervisors' stage*. In this stage, an owner manages a number of supervisors who, in turn, direct the work of other employees.

HOW CAN THE BUSINESS BE ORGANIZED EFFECTIVELY?

The following guidelines will help you as you organize the work in your business.

- Organize work into jobs based on corporate goals

- Place one supervisor at the top
- Define authority clearly
- Advocate decision making at the lowest possible level

When developing an organizational structure for your business, remember that each business varies. The work of some types of businesses may fluctuate almost daily. Even though activities are different for each type of business, some basic degree of organization must exist.

For example, a flower shop would probably have to conduct all the following activities:

- Buying flowers
- Caring for the flowers
- Operating and maintaining equipment in the store
- Cutting flowers
- Making displays or arrangements
- Making sales
- Delivering work
- Handling store maintenance
- Handling flowers by wire
- Keeping records
- Advertising
- Hiring and training employees
- Handling telephone sales
- Pricing merchandise
- Monitoring inventory

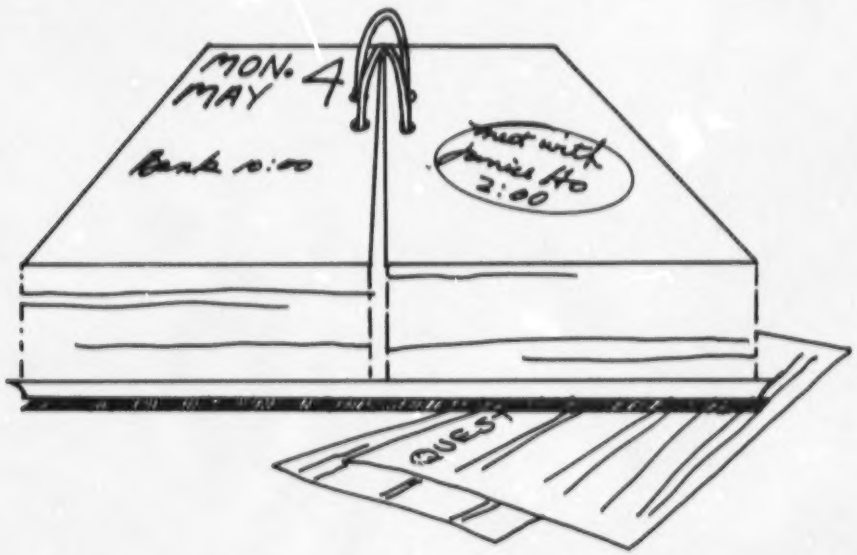
ARE THERE STEPS TO FOLLOW IN ORGANIZING?

How would you go about organizing the work of the flower shop? The organizing function of management, like planning functions, has some rather well-defined steps. When organizing, you must—

- determine the activities necessary to carry out the plans,
- define the activities and classify the operations,
- group the activities to gain the best utilization of resources,

- develop authority and direction channels for each group,
- bring the groups together to a common focal point—that of achieving a certain goal or objective.

Figure 1 on the next page is an example of how these organizing steps might be applied. Assume there are ten activities that must be completed. When organizing, you would define each activity, group similar activities, and assign responsibility and authority. In addition to organizing the work, there are many activities required to help businesses to reach their goals. Obviously, it would be impossible for one person to do all the the tasks required to operate their business.



Therefore, responsibility and authority must be delegated so that all the work gets done.

HOW CAN YOU ORGANIZE YOUR BUSINESS?

Most businesses use two principal types of internal organization structures. These are (1) line organization and (2) line and staff organization.

A *line organization* means that all authority and responsibility may be traced in a direct line from the owner down to the person at the lowest level in the company. Under this form of organization, each employee is responsible to only one superior, who in turn is responsible to someone else.

A *line and staff organization* is used by businesses that handle either large amounts of work or work of a complex nature. The result is that line personnel may not be skilled in all the specialities of those they supervise. To solve this problem, staff specialists (advisors) are added to give advice and assistance. However, the role of staff personnel is only to give assistance. They do not have authority over line personnel. On an organizational chart, staff personnel are usually indicated by broken or dotted lines.

ORGANIZATION OF ACTIVITIES

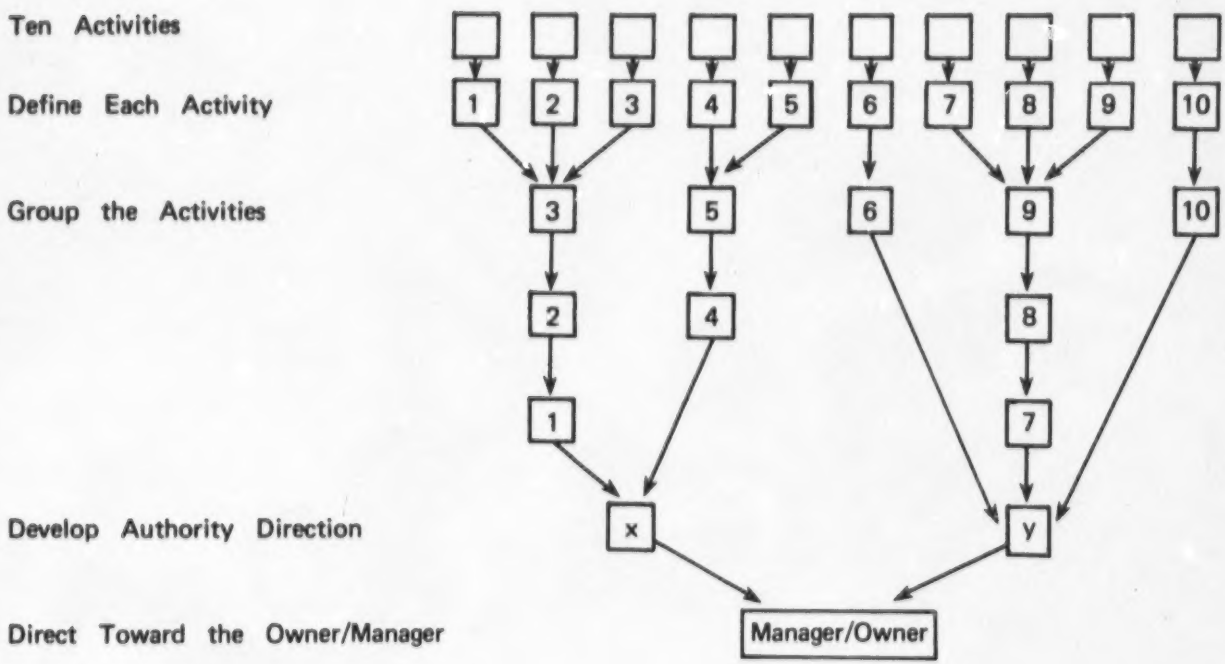


FIGURE 1 . ORGANIZATION OF ACTIVITIES.

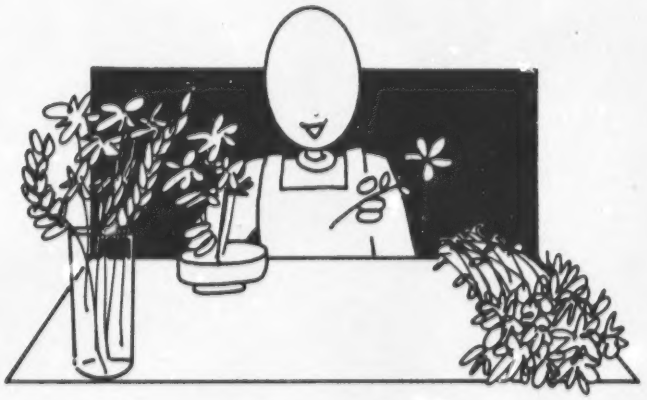
HOW DOES DIRECTING FIT IN?

Directing is supervising the efforts of your employees. To be successful in directing, you must communicate well. Expectations and specific work procedures must be explained to employees if you expect them to meet your business goals.

The following questions will help you evaluate your typical communication strategy.

- Do you decide what the message is before you begin to deliver it?
- Do you decide what medium would communicate the message most effectively to your employees?
- Do you take into account the values and backgrounds of your employees and phrase the message so they will understand it?
- Are you aware of the mental and physical state of employees when you communicate?
- Do you think through the timing, sequence of thought, locale, and style of the message?
- Do you ask questions to make sure employees understand the communication?
- Do you follow up on whatever action you indicated in the communication?

If you do all these things when you communicate important messages, you are an effective communicator. If not, the above guidelines will assist you next time you need to give a message to your employees.



Motivating employees is another important component of the directing function. People generally need to feel they are an important part of the organization. Each employee wants to know, "What's in it for me?" Basically, most of us are interested in our own welfare first. Loyalty comes about when employees see themselves as important persons within the firm and believe the company needs

their contributions. You should recognize each employee as a total person. Company morale will be higher when this is done. Another result will be more effective and efficient employees. (See the unit on *Managing Human Resources* for a more detailed discussion of this management function.)

WHAT IS INVOLVED IN CONTROLLING?

Controlling is actually guiding a business to achieve its goals. Controlling devices, therefore, are designed to tell managers when the business is deviating from its chosen objectives. The manager is the person who takes action to get the business back "on course."

The control process involves three basic activities (1) establishing standards (the planning process), (2) comparing performance against these standards, and (3) taking corrective action if needed.

WHAT CONTROL DEVICES ARE AVAILABLE?

As the owner/manager of a business you can employ several control measures. First, you will need to compare your present results to the standards that were in the planning process. You can make comparisons between planned budgets and actual budgets, as well as between planned schedules and actual schedules. Such comparisons will allow you to determine if your planning has been successful.

But whatever control system you institute, it must provide timely feedback. Problems must be identified before it's too late. A good control system can provide this information.

As the owner/manager of a business, your success will depend on how well you apply decision-making skills to planning, organizing, directing, and controlling your business activities. Good management is the key to business success, and remember—your success will depend on developing and improving your own management skills.

ACTIVITIES

Do you feel knowledgeable about what it takes to design the components of a small business management plan? Will you be able to put some of these skills into practice? The following activities will help you experience some of the real-life situations of entrepreneurs.

INDIVIDUAL ACTIVITY

Get a copy of a management plan form from your instructor. Then, for a business of your choice, develop the following components of a management plan:

1. Establish long-term and short-term goals and objectives for this business for a one-year period. Be specific.
2. Locate or design any planning forms this business will need (for example, budgets or schedules). Establish any standards that will be needed to determine if goals and objectives have been attained.
3. Determine the number and types of employees the business will need. Briefly describe the duties and responsibilities of each job. Draw an organization chart that will represent the internal organization of this business.
4. Establish control procedures for this business. In other words, how will you determine if your business's goals and objectives have been reached?

GROUP ACTIVITY

Have three other people study the management plan you have designed for your business. Ask them to make suggestions. Are there areas you haven't adequately covered? Are your goals and objectives realistic? Can you determine when they have been reached? Make any changes you feel are needed in your plan.

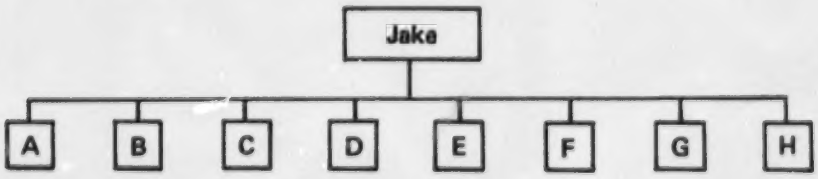
CASE STUDY

Jake owns a business that sells men's clothing. He employs two assistant managers, four salespersons, and two stock clerks. An assistant manager, two salespersons, and one stock clerk usually work each shift.

A few of his goals and objectives for the year include:

1. Increase sales
2. Keep customers happy
3. Reduce employee absenteeism by 100 percent
4. Improve employee productivity

Jake set up the following organization plan for his firm:



1. Are there problems with the goals and objectives that Jake has established? Explain. Rewrite any that you feel are inadequate.
2. Are there problems with the organization chart that Jake has chosen? Explain.
3. What control devices can Jake use to determine if his stated goals and objectives have been reached? What control devices can be used to determine if the goals you have rewritten have been attained?

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this PACE unit. When you feel prepared, ask your instructor to assess your competency.

1. Explain why decision making is integral to all management functions.
2. Explain what master planning involves. Provide examples of items that are included on a master plan.
3. Discuss the difference between line organizations and line and staff organizations.
4. Identify two elements of effective directing.
5. Identify three basic activities of the control process.

SOURCES USED TO DEVELOP THIS UNIT

Broom, H. N., and Longenecker, J. G. *Small Business Management.* 5th ed. Cincinnati: South-Western Publishing Company, 1979.

Ely, V. K., and Barnes, M. T. *Starting Your Own Marketing Business.* New York: McGraw-Hill Book Company, 1978.

Everard, K. E., and Shilt, B. A. *Business Principles and Management.* Cincinnati: South-Western Publishing Company, 1979.

Ferner, J. D. *Successful Time Management.* New York: John Wiley & Sons, 1980.

Hodgetts, R. M. *Effective Small Business Management.* New York: Academic Press, 1982.

For further information, consult the lists of additional sources in the *Resource Guide*.

Level 3

PACE

Unit 1. Understanding the Nature of Small Business

Unit 2. Determining Your Potential as an Entrepreneur

Unit 3. Developing the Business Plan

Unit 4. Obtaining Technical Assistance

Unit 5. Choosing the Type of Ownership

Unit 6. Planning the Marketing Strategy

Unit 7. Locating the Business

Unit 8. Financing the Business

Unit 9. Dealing with Legal Issues

Unit 10. Complying with Government Regulations

Unit 11. Managing the Business

Unit 12. Managing Human Resources

Unit 13. Promoting the Business

Unit 14. Managing Sales Efforts

Unit 15. Keeping the Business Records

Unit 16. Managing the Finances

Unit 17. Managing Customer Credit and Collections

Unit 18. Protecting the Business

Resource Guide

Instructors' Guide

Units on the above entrepreneurship topics are available at the following three levels:

- Level 1 helps you understand the creation and operation of a business
- Level 2 prepares you to plan for a business in your future
- Level 3 guides you in starting and managing your own business

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